

August 5, 2011

Jennifer J. Johnson  
Secretary  
Board of Governors of the Federal Reserve System  
10<sup>th</sup> Street & Constitution Avenue, N.W.  
Washington, D.C. 20551

Re: Docket No. R-1425 and RIN 7100AD 77; Capital Plans

Dear Sir or Madam:

CIT Group Inc. ("CIT") appreciates the opportunity to file this comment on the notice of proposed rulemaking ("NPR") issued by the Board of Governors of the Federal Reserve System ("Board") that would require bank holding companies ("BHCs") with more than \$50 billion in assets to prepare and submit capital plans to the Board on an annual basis.

CIT is a bank holding company with approximately \$50 billion in assets. We provide financing and leasing capital to more than one million small business and middle market customers across 30 industries.

We support the goals of the NPR. We recognize that capital planning is a fundamental component of sound risk management. However, for the reasons given below, we recommend a one-year extension in the effective date of the rule for BHCs that did not participate in the Comprehensive Capital Analysis Review ("CCAR"). This would enable non-CCAR BHCs, like CIT, to make the necessary adjustments to comply with the rule and gain the level of experience and competence that CCAR BHCs bring to the process by virtue of their participation in the CCAR.

We further recommend that during the transitional year non-CCAR BHCs participate in a capital planning "exercise." This exercise would require non-CCAR BHCs to prepare data templates and conduct stress testing for feedback from the Board, but otherwise would not subject them to the other requirements imposed by the rule. Such an exercise would help to ensure compliance by non-CCAR BHCs once the rule is effective. During this transitional period nothing would limit the Board's existing authority to address capital distributions by the non-CCAR BHCs.

*Non-CCAR BHCs Should be Given a Transitional Year to Make the Necessary Adjustments to Comply with the Rule*

In the preamble to the proposed rule, the Board asks whether the capital planning rule should include a transitional period for bank holding companies that did not participate in the CCAR process. While we recognize that CCAR participation was not voluntary, we believe that it afforded CCAR participants a strong boost along what will be a steep learning curve given the many deliverables proposed in the NPR. Therefore, we recommend that the final rule give non-CCAR BHCs a transitional one-year period to make the systems, procedural, and personnel adjustments necessary to comply with the rule. This will enable non-CCAR BHCs to enter the formal capital plan process with a degree of experience and familiarity that will result in a more productive process.

CIT, like other non-CCAR BHCS, currently engages in risk-based capital adequacy assessment and planning, including the use of stress testing. However, the requirements that would be imposed by the NPR differ in several material respects from current industry practices. A one-year delay in the effective date of the rule for non-CCAR BHCs would enable CIT and other non-CCAR BHCS to better integrate stress testing into overall business planning, establish appropriate governance and validation procedures, and allocate additional resources to this process. In other words, a one-year delay would help to ensure more effective compliance and promote a better overall result once the rule is effective for non-CCAR BHCs.

Additionally, a one-year delay in the effective date of the rule for non-CCAR BHCs would facilitate compliance with the extensive data collection requirements imposed by the rule. The NPR places significant weight on data collection and submission; yet, the NPR provides little in the way of specific guidance on the nature and scope of such submissions. While the uncertainty regarding data requirements will pose a challenge for all BHCs, non-CCAR BHCs will be more challenged by these requirements because they have not gone through the CCAR process and will be required to develop new data sets. Along with the required stress testing and documentation enhancements, the data collection and submission requirements will place an unequal burden on the non-CCAR institutions compared to those BHCs that have participated in the CCAR process.

Finally, we believe that a one-year delay in the effective date for non-CCAR BHCS can be informative and beneficial to the Board. The CCAR process enabled the Board to gain a better understanding of the operations and activities of large BHCS.<sup>1</sup> Delaying the

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<sup>1</sup> "As a result of the CCAR, the Federal Reserve has developed a deeper understanding of the processes by which large bank holding companies form and monitor their assessments and expectations for maintaining appropriate capital, and the appropriateness of their planned actions and policies for returning capital to shareholders." *Comprehensive Capital Analysis and Review: Objectives and Overview*, Federal Reserve Board, March 18, 2011, page 3.

effective date for non-CCAR BHCs would give the Board a similar opportunity to gain a better understanding of the operations and activities of non-CCAR BHCs. This would permit the Board to tailor the data templates and stress testing requirements to the risk profiles of non-CCAR BHCs, as appropriate.

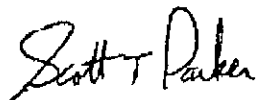
*Non-CCAR BHCs Should Engage in a Capital Planning "Exercise" during the Transitional Year*

To further facilitate compliance by non-CCAR BHCs, we believe it would be useful for non-CCAR BHCs to engage in a capital planning "exercise" with the Board sometime during the transitional year based upon further discussions with the Board and relevant Reserve Banks. In this exercise, non-CCAR BHCs would complete data templates and conduct stress tests based upon scenarios provided by the Board, but otherwise would not be subject to the rule. This would help non-CCAR BHCs to identify systems changes and personnel realignments needed and establish necessary infrastructure to prepare satisfactory capital plans and data templates and to conduct both internally-generated and Board-defined stress tests. This would allow the Board and the Reserve Banks to provide useful feedback to the non-CCAR BHCs. It also would provide a window through which the Board and the Reserve Banks could monitor non-CCAR BHCs and reduce any potential risk exposure that may result from the proposed delay in effective date of the rule for non-CCAR BHCs. During this transitional period nothing would limit the Board's existing authority to address capital distributions by the non-CCAR BHCs.

Thank you for considering these views on the transitional delay and flexibility required to enable a productive transition for non-CCAR BHCs under the NPR.

If you have any questions about these comments or seek further information, please contact Lon Goldstein, Senior Vice President of Government Relations, at (202) 756-3011.

Sincerely,

A handwritten signature in black ink, appearing to read "Scott T. Parker". The signature is fluid and cursive, with the first name "Scott" and last name "Parker" clearly distinguishable.

Scott T. Parker  
Chief Financial Officer  
CIT Group Inc.